



April 22, 2005

Hi from Olympia. The Legislature is completing its 15th and final week of its regular 105-day session. This Sunday is supposed to be the final day. There have been rumors that session might even end by sundown tomorrow night in honor of the Jewish celebration of Passover.

Whether we actually finish tomorrow night or Sunday depends on when the House and Senate can reach agreements on new state operating, capital construction and transportation budgets. As I write this update, such agreements are not on the horizon.

When I write my update to you next week, I'm very hopeful that I can write it from Wenatchee as a recap of the recently ended session. Otherwise, I might have to write it as an update of the first week of a special session. Time will tell.

Legislature passes bill providing financial help to struggling local governments

Probably the most significant bill I prime-sponsored this session is Engrossed Substitute Senate Bill 6050, which provides financial assistance to cash-strapped towns, cities and counties.

It's been a great struggle this session to get this bill through the Legislature, but I was pleased to see it clear both chambers this week. The House passed it 61-37 Wednesday night. The Senate approved ESSB 6050 on a 34-14 vote on March 16. It now goes to Gov. Gregoire for consideration.

This is great news for the many small communities and sparsely populated counties in Washington that are facing tough times with their budgets. These local governments are struggling to survive, including a number of city governments in my district. This bill provides badly needed funding for these smaller cities and counties.

ESSB 6050 resolves the funding crisis for many local governments in Washington by using a revenue source that doesn't affect the state operating budget or raise taxes. I knew that the \$1.5 billion operating budget shortfall made it very unlikely for the Legislature to either raise taxes or spend existing revenue normally used for the operating budget just to provide more dollars to needy local governments. We had to find a way to help out these small towns and counties without raising taxes or hurting the state budget, and this bill does it.

This measure uses a very small part of the real estate excise tax (REET) that would normally go into the Public Works Assistance Account (PWAA). The bill diverts that portion into a special, newly created account called the City-County Assistance Account. The REET is paid by citizens when a piece of real estate is purchased and sold.

The bill will provide about \$20 million in local government financial aid in the 2005-07 biennium, or \$10 million a year. This money will be distributed only to local governments most in need and will be split equally by cities and counties.

The Association of Washington Cities and Washington State Association of Counties created the funding formula. There may be an alternative funding source in the future, but for now, this is the best funding solution there is.

ESSB 6050 establishes the following funding distribution formula:

- ✓ All cities receiving assistance are capped at \$100,000 per year.
- ✓ Counties with an unincorporated population over 100,000 are eligible for sales tax equalization up to 65 percent per capita average.
- ✓ Cities under 5,000 in population that are eligible for financial assistance (such as Bridgeport) receive the greater of:
 - 55 percent of per capita statewide sales tax average;
 - Fiscal year 2005 backfill (to make up for lost revenue when the motor vehicle excise tax was eliminated); or
 - 55 percent of per capita statewide assessed property value. (Per capita assessed property value is figured when county assessors assess property values in their jurisdiction, then add up all these valuations and divide by the number of people assessed.)
- ✓ Cities over 5,000 in population that are eligible for financial assistance (such as Ephrata) receive the greater of:
 - 50 percent of per capita statewide sales tax average;
 - Fiscal year 2005 backfill (to make up for lost revenue when the MVET was eliminated) for the 2006 and 2007 calendar years; or
 - 55 percent of per capita statewide assessed property value.

Under the bill, cities are not eligible for financial assistance if, for cities with populations under 5,000, the per capita assessed property value is more than twice the statewide average; or for cities with populations over 5,000, the per capita assessed property value is greater than the statewide average.

The proposal calls for the Joint Legislative Audit and Review Committee (JLARC) to review the funding distributions to cities and counties to determine how well the distributions target needs of these local governments that were impacted by the repeal of the motor vehicle excise tax. JLARC is to report back to the Legislature by Dec. 31, 2008, on any recommendations for changes to the funding formula after gathering input from the affected cities and counties.

It has been a special honor to serve you and the 12th Legislative District this session. As I vote on bills and other measures, I continually keep in mind that I am representing you and other constituents. I take that responsibility very seriously, and I appreciate your trust in me. Thank you. As always, if you have any questions, comments or concerns regarding any legislative issue, let me know. Until next week...
